



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 17, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **ST. ANNE'S MATERNITY HOME – A GROUP HOME FOSTER CARE
CONTRACT PROVIDER - FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of St. Anne's Maternity Home (St. Anne's or Agency) from January 1 through December 31, 2010. St. Anne's is licensed to operate one group home (GH) with a resident capacity of 32 children. St. Anne's is located in the First Supervisorial District.

DCFS and the Probation Department contract with St. Anne's to care for foster children placed in the Agency's home. DCFS paid St. Anne's \$7,917 per child per month, based on a rate determined by the California Department of Social Services, for a total of \$2.87 million in 2010.

The issuance of our report to your Board was delayed in part by changes in federal and State regulations regarding possible repayment of questioned costs from fiscal audits. To enable St. Anne's to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management on October 18, 2011.

Summary of Findings

Our review disclosed no unallowable or questioned costs. However, St. Anne's needs to strengthen its controls over petty cash, vehicle mileage logs, fixed assets, and payroll/personnel records. Details of our findings are discussed in Attachment I.

DCFS should ensure that St. Anne's management takes action to address the recommendations in this report, and monitor to ensure that the actions result in permanent changes.

Review of Report

We discussed our report with St. Anne's management and DCFS on June 13, 2012. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates the Agency's general agreement with our findings and recommendations.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including but not necessarily limited to Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report will be forwarded to DCFS, in order that it might take further action, as it deems appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank St. Anne's management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MWM

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, DCFS
Jerry E. Powers, Chief Probation Officer
Reaver E. Bingham, Deputy Chief, Probation Department
Tony Walker, Chief Executive Officer, St. Anne's Maternity Home
Board of Directors, St. Anne's Maternity Home
Cora Dixon, Bureau Chief, Foster Care Audit Branch, CA Dept. of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

St. Anne's Maternity Home
Group Home Contract Provider
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

Our review disclosed no unallowable or questioned costs. However, the Department of Children and Family Services (DCFS) and St. Anne's Maternity Home (St. Anne's or Agency) need to work together to resolve some potential overpayments. Details of the overpayments and the results of our review are discussed below.

Applicable Regulations and Guidelines

St. Anne's is required to operate its group home (GH) in accordance with the following federal, State, and County regulations and guidelines:

- GH Contract, including the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (Circular A-122)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Potential DCFS Overpayments

DCFS' records show some potential overpayments to St. Anne's. DCFS and the Agency should work together to resolve the overpayments, and DCFS should collect any verified amounts. St. Anne's management should also ensure that any future payment discrepancies are immediately reported to DCFS, and any excess amounts are repaid promptly.

Recommendations

1. **DCFS management work with St. Anne's to resolve and collect any verified overpayments.**
2. **St. Anne's management ensure that future payment discrepancies are immediately reported to DCFS, and any excess amounts are repaid promptly.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted several contract compliance issues and internal control weaknesses. DCFS should ensure that St. Anne's management takes action to address each of the contract compliance and internal control recommendations in this report. DCFS should also monitor to ensure the actions result in permanent changes.

Petty Cash Controls

A-C Handbook Section B.2.3 allows agencies to have a petty cash fund up to \$500 to pay for small incidental expenses (e.g., postage due, small purchases of office supplies, etc.). The fund should not be used as a substitute for normal purchasing and disbursement practices. In addition, agencies should maintain the petty cash fund on an imprest (fixed amount) basis, and obtain written approval from DCFS to establish a petty cash fund over \$500.

St. Anne's used its petty cash fund as a substitute for normal purchasing and disbursement practices. The Agency consistently used petty cash to pay for clothing, food, and shopping activities for clients, which were not small incidental expenses. In addition, St. Anne's petty cash fund was not maintained on an imprest basis, and frequently exceeded the \$500 limit. For example, in one week, St. Anne's spent \$3,471 from the petty cash fund.

Recommendations**St. Anne's management:**

3. **Ensure that petty cash is not used as a substitute for normal purchasing and disbursement practices.**
4. **Maintain the petty cash fund on an imprest basis, and limit the amount of the fund to \$500, or obtain written approval from DCFS to increase the petty cash limit.**

Vehicle Mileage Logs

A-C Handbook Section A.3.2 requires agencies to maintain vehicle mileage logs showing the date, destination, purpose of trip, beginning and ending odometer reading, and the resulting mileage. The logs should also clearly identify business and non-business/personal travel. However, St. Anne's did not prepare vehicle mileage logs during our review period.

Recommendation

5. **St. Anne's management prepare and maintain vehicle mileage logs for each Agency vehicle identifying travel dates, purpose of each trip,**

beginning and ending odometer readings, the resulting mileage, and business and non-business/personal travel.

Fixed Assets

A-C Handbook Section B.4.2 requires agencies to conduct an inventory of fixed assets at least annually, to ensure that all fixed assets are accounted for and maintained in proper working order. We noted that St. Anne's does not inventory fixed assets annually.

Recommendation

- 6. St. Anne's management inventory fixed assets at least annually to ensure that all fixed assets are accounted for and maintained in proper working order.**

Payroll/Personnel Records

A-C Handbook Section B.3.1 states that time cards or time reports must be prepared for each pay period, and must be signed by the employee and supervisor to certify the accuracy of the reported time. We reviewed the payroll and personnel records of ten employees, and noted that one (10%) time card was not signed by a supervisor.

Recommendation

- 7. St. Anne's management ensure time cards are signed by a supervisor to certify the accuracy of the reported time.**



PHILIP L. BROWNING
Director

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

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Fourth District
MICHAEL D. ANTONOVICH
Fifth District

July 25, 2012

Tony Walker, Executive Director
St. Anne's Maternity Home
155 N. Occidental Blvd
Los Angeles, CA 90026

Dear Mr. Walker:

**AUDITOR-CONTROLLER'S FISCAL REVIEW OF ST. ANNE'S MATERNITY HOME – A
GROUP HOME FOSTER CARE CONTRACT PROVIDER**

We have reviewed your fiscal corrective action plan (FCAP) received on July 19, 2012 in response to the Auditor-Controller's final draft fiscal audit. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

If you have any questions, please contact Ali Gomaa-Mersal, Financial Specialist IV, at (213) 351-3209.

Sincerely,

A handwritten signature in cursive script, reading "Latisha Thompson".

Latisha Thompson, ASM III
Fiscal Monitoring and Special Payments

LT:aag

Attachment

c: Mike McWatters, Chief Accountant-Auditor (via electronic mail only)
Sandra Gomez, Principal Accountant-Auditor (via electronic mail only)

"To Enrich Lives Through Effective and Caring Service"

ATTACHMENT III

AUDITOR-CONTROLLER'S FISCAL REVIEW OF ST. ANNE'S MATERNITY HOME – A GROUP HOME FOSTER CARE CONTRACT PROVIDER

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP dated July 19, 2012, submitted by St. Anne's Maternity Home, status of each recommendation is summarized as follows:

- 7 Recommendations (1-7) were fully addressed.
- Recommendations () were partially addressed.
- 1 Recommendations (1) directed to the Department were addressed.

Recommendation Status

1. **DCFS management work with St. Anne's to resolve and collect any verified overpayments.**

Agency Proposed FCAP: *St. Anne's will continue to work aggressively and collaboratively with DCFS management to resolve any verified overpayments.*

DCFS Response: DCFS accepts the agency's response.

2. **St. Anne's management ensure that future payment discrepancies are reported to DCFS immediately and overpayments are repaid promptly.**

Agency Proposed FCAP: *All future payment discrepancies will be reported to DCFS immediately and overpayments will be paid promptly.*

DCFS Response: DCFS accepts the agency's response.

3. **St. Anne's management ensure that petty cash is not used as a substitute for normal purchasing and disbursement practices.**

Agency Proposed FCAP: *St. Anne's will separate line items used to purchase goods and services for our clients. A line item will be created for clothing allowance, weekend meals and activities versus using "petty cash". St. Anne's petty cash fund will be limited to \$500, pending a request for approval to DCFS to raise the limit to \$1,000.*

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

4. **St. Anne's management maintain the petty cash fund on an imprest basis, and limit the amount of the fund to \$500, or obtain written approval from DCFS to increase the petty cash limit.**

Agency Proposed FCAP: *Written request to DCFS to increase the petty cash limit will be submitted. See attached copy of the request letter to DCFS.*

DCFS Response: DCFS accepts the agency's response.

5. **St. Anne's management prepare and maintain vehicle mileage logs for each Agency vehicle identifying travel dates, purpose of the trip, beginning and ending odometer readings, the resulting mileage, and business verses non-business, or personal travel.**

Agency Proposed FCAP: *St. Anne's will manage, prepare and maintain vehicle mileage logs for each Agency vehicle identifying travel dates, purpose of the trip, beginning and ending odometer readings, the resulting mileage and business verses no-business, or personal travel. (Please see attached Mileage Log)*

DCFS Response: DCFS accepts the agency's response. After reviewing the sample mileage log, the documentation specifies the required information. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

6. **St. Anne's management inventory fixed assets at least annually to ensure that all fixed assets are accounted for and maintained in proper working order.**

Agency Proposed FCAP: *Attached are our fixed assets listing that have been updated to include a disposal date. A separate list of disposed items will be maintained. There is a separate list for capitalized items and expensed items. Asset inventory is now being done at least annually. We are also in the process of installing a fixed asset system that will utilize software and hardware to read asset tags. This system will provide a more efficient manner of asset accounting and tracking.*

DCFS Response: DCFS accepts the agency's response. After reviewing the fixed assets listing, the documentation specifies the required information. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

7. **St. Anne's management ensure time cards are signed by a supervisor to certify the accuracy of the reported time.**

Agency Proposed FCAP: *All time cards are reviewed and signed by the supervisor. St. Anne's management will ensure that the President and CEO's time card is signed off by an officer of the Board of Directors.*

DCFS Response: DCFS accepts the agency's response. Fiscal Monitoring staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.